

Message Text

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ACTION EA-12

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FOLLOWING SENT ACTION TOKYO INFO NAHA OSAKA KOBE FUKUOKA FROM SAPPORO
DEC 21 REPEATED FOR YOUR INFO

QUOTE
SAPPORO 0118

E.O. 11652: N/A
TAGS: EGEN, JA
SUBJECT: NORTHERN JAPAN REACTS CALMLY TO USHIBA MISSION

REF: TOKYO 19217

1. ALTHOUGH CURRENT INTERNATIONAL TRADE FRICTIONS HAVE SO FAR HAD RELATIVELY LITTLE DIRECT IMPACT ON NORTHERN JAPAN, USHIBA'S ATTEMPTS TO PLACE US-JAPAN ECONOMIC RELATIONS BACK ON AN EVEN KEEL WERE FOLLOWED CLOSELY HERE. JUDGING FROM LOCAL NEWSPAPER ACCOUNTS AND COMMENTS MADE TO US IN SEVERAL CITIES IN HOKKAIDO AND AOMORI, THE INCONCLUSIVE RESULTS OF THE USHIBA MISSION CAME AS NO SURPRISE. USHIBA'S OWN PREDICTION THAT TOUGH NEGOTIATIONS LAY AHEAD AND PRELIMINARY US REACTIONS LEAKED IN ADVANCE OF HIS VISIT SET THE STAGE FOR BAD NEWS. BASED ON HIS EXPERIENCE AND REPUTATION, USHIBA IS JUDGED TO HAVE MADE THE BEST CASE POSSIBLE FOR THE
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JAPANESE SIDE. OUR RESPECTIVE POSITIONS HAVE BEEN CLARIFIED AND THE BALL IS REGARDED AS BEING IN OUR COURT. THE FIRST QUESTION WE NOW GET IS "WHEN WILL AMBASSADOR STRAUSS VISIT JAPAN?"

2. ALTHOUGH THERE HAS BEEN SOME GROUSING ABOUT THE U.S. HAVING ENGAGED IN "BIG COUNTRY EGOISM" AND

HAVING TRIED TO ASSIGN TO JAPAN A DISPROPORTIONATE SHARE OF THE BLAME FOR THE PROBLEMS WE MUTUALLY FACE, THE SHARPEST CRITICISM HAS SURPRISINGLY BEEN RESERVED FOR DEFICIENCIES IN GOJ POLICIES. IN VIEW OF JAPAN'S DEPENDENCE ON FOREIGN TRADE FOR ITS PROSPERITY, THE GOJ IS FAULTED FOR HAVING UNDERESTIMATED THE DEPTH OF DISCONTENT ABROAD AND FOR NOT HAVING ACTED EARLIER TO RESOLVE THE PROBLEM. FURTHERMORE, THERE IS GENERAL AGREEMENT THAT MOST US DEMANDS, ESPECIALLY WITH REGARD TO IMPORT LIBERALIZATION, WOULD BENEFIT CONSUMERS AND THUS ARE IN THE MAIN LOGICAL AND REASONABLE.

3. TO THE EXTENT THAT US MACRO-ECONOMIC ARGUMENTS CONCERNING THE NEED FOR CURRENT ACCOUNT ADJUSTMENTS ARE UNDERSTOOD, OBSERVERS HERE AGREE WITH THE GOJ CONTENTION THAT LITTLE CAN BE ACHIEVED QUICKLY. BUT EVEN ON THIS ESOTERIC SUBJECT, THERE IS GENERAL AGREEMENT THAT THE US VIEW IS PROBABLY CORRECT AND THAT THE GOJ SHOULD ASSIDUOUSLY WORK TO REDUCE THE SURPLUS, IF NOT ACTUALLY GO INTO DEFICIT. TO THIS END SUPPORT IS STRONG FOR A VIGOROUSLY EXPANSIONARY BUDGET. AT THE SAME TIME, HOWEVER, THERE IS CONSIDERABLE WORRY, ESPECIALLY AMONG THE MORE INTERNATIONALLY ASTUTE BANKERS, THAT THE GOJ "OBJECTIVE" OF ACHIEVING A SEVEN PERCENT GNP REAL GROWTH RATE IN JFY 1978 MAY SET JAPAN UP FOR RENEWED CHARGES

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OF BAD FAITH IF GROWTH FALLS SHORT OF THIS GOAL.

4. DESPITE THE EXISTENCE OF POLITICALLY POTENT FARMER'S ASSOCIATIONS, ESPECIALLY IN DAIRY FARMING, LOCAL EDITORIALS AND COMMENTARY REFLECT DEEP DISCONTENT WITH GOJ RESTRICTIONS ON FOOD IMPORTS THAT HAVE PUSHED FOOD PRICES TO WORLD RECORD LEVELS. EMOTIONS RUN HIGHEST OVER BEEF IMPORTS. HOKKAIDO AND IWATE PREFECTURE HAVE FLEDGLING BEEF INDUSTRIES, BUT RECENT REVELATIONS CONCERNING THE MEAT INDUSTRY HAVE CREATED A DEFINITE AND VOCAL MOOD FOR MEANINGFUL LIBERALIZATION. THE PREFECTURAL ASSEMBLY SPEAKER IN AOMORI, A MAJOR FISHING AREA, FLATLY TOLD US THAT BEEF IMPORTS SHOULD BE RAISED TO MAKE UP FOR DECLINING FISH HAULS CAUSED BY 200 MILE ZONES. AS A NATIVE OF HOKKAIDO, MFA MINISTER NAKAGAWA RECEIVES CONSIDERABLE SYMPATHY FOR THE DIFFICULT POSITION HE FINDS HIMSELF IN, BUT THE CONSENSUS IS THAT GOJ POLICY SHOULD AIM TO CUSHION ANY ECONOMIC LOSS THAT WILL ACTUALLY ACCRUE TO DOMESTIC PRODUCERS RATHER THAN TO CONTINUE TO PROTECT THE INDUSTRY BY BLOCKING IMPORTS. SIGNED WESTMORE

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